

STATINTL [redacted]

Approved For Release 2002/08/15 : CIA-RDP83T00573R000500080001-1

~~SECRET~~ ORACLE

December 23, 1975
Serial No. TMS-2/070

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STATINTL [redacted]

[redacted] STATINTL

C/PMS/OL

Subject : [redacted] TMS-2 Mass Storage System

Reference: Telecon of 12-23-75, [redacted]

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Gentlemen:

Confirming the referenced telephone conversation this morning, this is to advise that [redacted] is in process of preparing a formal response to your 12-4-75 cable to [redacted]

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The response provided by [redacted] during the 12-18-75 meeting should, therefore, not be considered as [redacted] formal position on the issues addressed.

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As a result of the meeting, [redacted] has a different view of the concerns raised by the Agency in connection with the TMS-2 Mass Storage System and will take this better understanding into account.

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Our formal position and response will be reviewed with [redacted] Management early during the week of 1-5-76 and a response addressed to the Contracting Officer will be submitted no later than 1-9-76.

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Very truly yours,

[redacted signature box]

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Manager, System Contracts.

WJC/fp

c.c. Mr. H.E. Fitzwater

[redacted]
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[redacted]

DD/A 75-6134

OJCS # 4669-25

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[Redacted]

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EXECUTIVE OFFICES

CC :

[Redacted]

December 22, 1975

Mr. John McMahon
Assistant Deputy Director, Administration
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. McMahon:

The last two months have been critical ones for the mass storage system program being conducted by the Agency and [Redacted] A number of technical problems, relating mostly to software, have been uncovered. In addition, it appears to me that a contentious atmosphere has developed between Agency and [Redacted] personnel. STATINTL

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I would like to affirm again the commitment of [Redacted] management to the successful completion of this program. I am confident that the technical problems can be solved if they are addressed in a spirit of co-operation. To this end, I believe that a meeting with you would be useful. STATINTL

I will be away from my office until January 5. If you agree that a meeting would be helpful, I am prepared to go to Washington any time after January 5.

I look forward to hearing from you.

Sincerely yours,

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[Redacted]

Vice President - General Manager
Advanced Technology Division

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File: ORACLE

30 December 1975

MEMORANDUM FOR THE RECORD

SUBJECT: Option Paper
Project ORACLE (TMS-2 Mass Storage System)

REFERENCE:

A.
B.

[Redacted]

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I. The purpose of this memorandum is to summarize the current status of Project ORACLE and to set forth the various courses of action available to the Government.

II. Background:

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The ORACLE Program provides for the development and installation of a Mass Storage System (MSS) for the Office of Joint Computer Support. The selection of [Redacted] as the contractor resulted from the issuance of a Request for Proposal on 1 December 1972 to nine corporations. Four corporations submitted

[Redacted]

completion of the evaluation process, [Redacted] was selected as the contractor to provide the Mass Storage System and two contracts were awarded to [Redacted] with effective dates of 11 June 1973 and completion dates of 30 August 1975 respectively.

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Contract [Redacted] was written as a firm fixed price contract. The contract (as amended) provides for the following:

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Increment I Equipment
Increment II Equipment
(Option) (Not Exercised)
Accommodation Procurement (GFE)
Equipment Rental

Total Contract Price

[Redacted]

STATINTL which [] is a cost plus fixed fee contract under to perform the role of system engineer for the Mass Storage System. Deliverables under the contract include software, SCP/EDCP Interface (2 each), manuals, and technical and financial status reports. The contract also includes as deliverables all hardware being procured under Contract [] The contract states: "As the items thereunder are accepted by the Government their accountability shall be transferred to this contract to be incorporated into the end item identified as the Mass Storage System. All shall be subject to Article 19 of Section E of the General Provisions." (Article 19 is the Government Property Clause). During May of 1975, negotiations were conducted at [] to establish a revised program schedule and to establish the amount of a significant cost overrun under the cost plus fixed fee contract. The completion dates of both contracts were changed from 30 August 1975 to 30 August 1976 respectively. The estimated cost of the CPFF contract was increased from []

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On 4 December 1975, the Government sent a message to [] Corporation which expressed the Government's dissatisfaction with the contractor's performance under subject contracts. On 18 December 1975 representatives of the contractor and the Government met to discuss the status of the ORACLE Program.

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III. Current Status:

The current status of Project ORACLE is summarized as follows:

A. The contractor concedes that he is at least six months behind schedule.

B. The contractor is deviating from contract specifications. If the contractor agreed to meet contract specifications, he would require additional time to complete the work.

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C. Unless the contractor can provide evidence of excusable delay, the Government should be able to sustain a default termination of both contracts.

Attached hereto are Exhibits which document points A, B, and C above.

STATINTL Exhibit A - Legal Analysis of [redacted]
Contracts [redacted] (dated 17 December 1975)
STATINTL Exhibit B - Copy of Message to [redacted] dated 4 December 1975
STATINTL Exhibit C - Minutes of Meeting of 18 December 1975
Exhibit D - Technical Status of Project ORACLE

IV. Options Available to the Government:

The only viable options available to the Government are to permit the contractor to continue working under revised contract delivery schedules or to terminate for default.

Allowing the contractor to continue performance presents the following problems:

- (1) What is a revised realistic program schedule?
- (2) How do we force the contractor to meet the contract specifications?
- (3) By allowing additional time, are we lessening the probability of sustaining a termination for default of the fixed price contract?

A termination for default at this time provides for the possibility of recovering funds as follows:

STAT	<u>Contract</u>	<u>Amount</u>	<u>Probability of Recovery</u>
STATINTL	Increment I Equipment	[redacted]	Very Good

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OJCS # 4683/25

DDA 75-6155

29 December 1975

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We appreciate your letter of 22 December regarding the mass storage system program and will be happy to meet with you regarding it the week of 12 January. May we suggest either the afternoon of 12 or 13 January. I look forward to seeing you.

Sincerely,

~~John N. McMahon~~
John N. McMahon

John N. McMahon
Associate Deputy Director
for
Administration

ADDA:JNMcmahon:kmg (29 Dec 75)

Distribution:

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NOTE: Ltr sent on plain bond w/following return address on envelope:

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